

PHILLIPS PETROLEUM COMPANY, DOCKET NO. CI67-1226 AND
MARATHON OIL COMPANY, DOCKET NO. CI67-1227

FEDERAL POWER COMMISSION

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CORE TERMS: natural gas, export, liquefied, Natural Gas Act, authorization, set forth, public interest, exportation, buyers, annual, border, hereinabove, initiating, five-year, construct, exported, renewal, maximum, notice

**[*1] ORDER AUTHORIZING EXPORTATION OF LIQUEFIED NATURAL
GAS AND DISMISSING APPLICATION FOR PERMIT**

Before Commissioners: Lee C. White, Chairman; L. J. O'Connor, Jr., Charles R. Ross, Carl E. Bagge and John A. Carver, Jr.

OPINION:

On March 8, 1967, Phillips Petroleum Company and Marathon Oil Company (Applicants) filed in Docket No. CI67-1226 an application pursuant to Section 3 of the Natural Gas Act for authorization to export liquefied natural gas from the United States to Japan, all as more fully set forth in the application.

Applicants propose to export liquefied natural gas from Alaska for sale and delivery in Yokohama, Japan to The Tokyo Electric Power Company, Inc., and The Tokyo Gas Company Limited. Applicants agree to sell and buyers agree to purchase the following annual Btu's of liquefied natural gas during a fifteen-year period ending May 31, 1984:

March 1, 1969, to May 31, 1970: 35,295,000,000,000 Btu's,

June 1, 1970, to May 31, 1971, and each of the subsequent thirteen years: 50,570,000,000,000 Btu's.

The agreement contains an option for a five-year renewal.

The application states that the gas will be sold at a rate of 52.0 cents per million Btu's delivered. [*2]

Applicants will construct facilities in the Cook Inlet Basin area, Alaska, for the liquefaction of natural gas, the storage of liquefied natural gas, and the loading of such onto ships for export and delivery to Japan to the aforementioned buyers.

Concurrently with the subject application, Applicants filed in Docket No. CI67-1227 an application pursuant to Executive Order No. 10485 for a permit authorizing the construction, operation and maintenance of facilities at the border of the United States in the State of Alaska for the exportation of natural gas. Said Order designates and empowers the Commission to issue such a permit upon finding that the issuance would be consistent with the public interest and after obtaining the favorable recommendations of the Secretary of State and the Secretary of Defense. During the course of processing this application a question was raised by the Department of State as to whether the facilities in question are of the type contemplated by the Executive Order, though both the Secretary of State and the Secretary of Defense agreed that authorization of the proposed export was consistent with the public interest of the United States. Consequently, [*3] the Commission presented the issue to the Office of the Legal Counsel of the Department of Justice which, upon consideration of the documents pertaining to the application, has concurred in the conclusion of the

Department of State that the Executive Order does not apply, because there will not be facilities at the border involving any physical connection between this country and a foreign country. In view of these conclusions by the relevant agencies of the Executive Branch of the Government (with which, we are informed, the Department of Defense does not take issue), and in the absence of any basis for our independently reaching a contrary position, we shall dismiss, the permit application in Docket No. CI67-1227. We shall, however, in future cases of this nature continue to secure the views of the Departments of State and Defense before taking action under Section 3 of the Natural Gas Act.

After due notice, no petitions to intervene, notices of intervention or protests to the granting of the application in Docket No. CI67-1226 have been received.

The Commission finds:

(1) The exportation of liquefied natural gas by Applicants, Phillips Petroleum Company and Marathon [*4] Oil Company, from the United States to Japan, as hereinabove described and as set forth in the application in Docket No. CI67-1226, will not be inconsistent with the public interest within the meaning of Section 3 of the Natural Gas Act, provided that said exportation be on the terms and conditions hereinafter set forth:

(a) Applicants shall file statements or reports with the Commission from time to time under oath and in such details as the Commission may require with respect to the whole or any part of the instant export operation.

(b) The authorization granted herein is not transferable or assignable and shall remain in full force and effect only so long as Applicants continue the acts or operations herein authorized in accordance with the terms and conditions herein set forth.

(c) The authorization granted herein shall automatically terminate on May 31, 1984. If the five-year renewal option of the agreement between Applicants and buyers is exercised, Applicants must comply with Section 153.8 of the Regulations under the Natural Gas Act.

(d) Applicants shall not, during the terms of the authorization granted by this order, materially change or alter their export operations [*5] without first obtaining the permission and approval of the Commission.

(e) In the event that Applicants should abandon or permanently cease for any reason whatsoever all or any part of the instant export operation prior to the termination date described in (c) hereof, Applicants shall forthwith notify the Commission of said fact and the reason therefor.

(f) The maximum annual Btu's of liquefied natural gas to be exported for sale to The Tokyo Electric Power Company, Inc., and The Tokyo Gas Company Limited should not exceed the following:

March 1, 1969, to May 31, 1970: 35,295,000,000 Btu's,

June 1, 1970, to May 31, 1971, and each of the subsequent thirteen years: 50,570,000,000 Btu's.

(g) Applicants should comply with the requirements of Section 153.8 of the Commission's Regulations under the Natural Gas Act before initiating the proposed exports to Japan.

(2) Applicants do not propose to construct, operate or maintain any facilities at the border of the United States within the contemplation of and for which a permit is required to be issued pursuant to Executive Order No. 10485.

The Commission orders:

(A) Authorization is granted to Applicants to export [*6] liquefied natural gas from the United States to Japan, as hereinabove described and as set forth in the application in Docket No. CI67-1226, upon the conditions herein set forth and subject to the provisions of the Natural Gas Act and the Commission's Regulations issued thereunder.

(B) The maximum annual Btu's of liquefied natural gas to be exported for sale to The Tokyo Electric Power Company, Inc., and The Tokyo Gas Company Limited shall not exceed the following:

March 1, 1969, to May 31, 1970: 35,295,000,000,000 Btu's,

June 1, 1970, to May 31, 1971, and each of the subsequent thirteen years: 50,570,000,000,000 Btu's.

(C) Applicants shall comply with the requirements of Section 153.8 of the Commission's Regulations under the Natural Gas Act before initiating the proposed exports to Japan and for any other contractual changes including the exercise of the option for renewal.

(D) The application for a permit filed in Docket No. CI67-1227 is dismissed.